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Insight Driven Health

Retail Clinic Counts Will Double Between 2012 and 2015 and Save $800 Million Dollars per Year

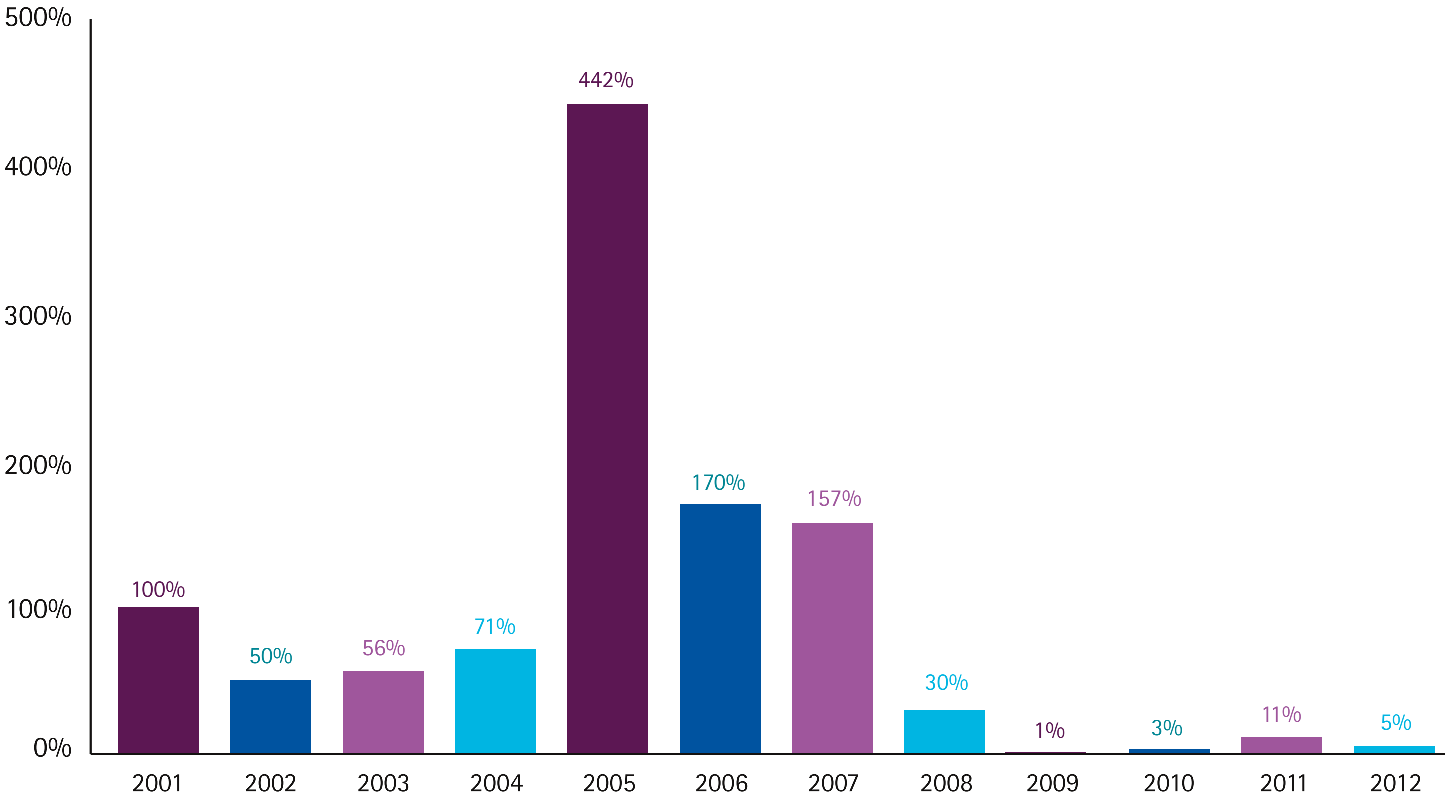
Retail clinic expansion will drive greater patient engagement and capacity for healthcare providers

Who will come to the aid of 30+ million potential patients with no place to go?

As healthcare reform produces a sudden surge in newly insured people seeking care, hospitals will be under severe pressure to keep pace. Demographic change exacerbates the challenge, with a steep rise in the ratio of elderly to young, adding yet more demand. For stretched hospital operators, the answer may lie in an unexpected place, and one that, until recently, was considered a rival: retail health clinics.

This valuable "release valve" to the strained healthcare system could jumpstart a rapid growth in retail health clinics, which may lead to a doubling of their number nationally between 2012 and 2015.

Figure 1. US Retail Clinics Year Over Year Growth, 2001–2012



Source: Merchant Medicine

How retail clinic growth slowed

This re-emergence of the retail health clinic would reverse a longstanding trend. In the early years of this decade, the sector was experiencing rapid growth, with the total number of clinics growing between 50% and 442% annually, according to historical data sourced from Merchant Medicine. This high rate of growth continued until 2008, with the total number of clinics climbing to 1,175.

Many still consider the sector to be growing rapidly: a prominent August 2012 study from RAND Corporation highlighted rapid volume growth at health clinics, although its conclusions were based on data from between 2006 - 2009. In reality, growth in the sector stalled in 2009 and 2010 with rates of growth falling to just 1% and 3%. Some new clinics opened but at a far lower rate than before.

There are several explanations for the failure of retail clinics to build on their early success. Most clinics found patient volumes were low for all but the narrowest range of services—particularly influenza vaccinations, which tend to be highly seasonal and earn relatively low reimbursements. Deep uncertainty over healthcare reform did not help either, as the economic environment and an unproven business model put retail clinics under great pressure and slowed their expansion.

Added to this was the almost complete failure of clinics and hospitals or primary care providers (PCPs) to forge partnerships, an important source of new patients and referrals. This was no accident. Until recently, hospitals and PCPs widely regarded the clinics as a major threat to their business models and worked hard to undermine the new clinics' public standing.

Just five years ago, the American Medical Association was warning that a lack of regulation at retail clinics "raises concerns about liability, health risks and potential conflicts of interests between the clinics' nurse practitioners that order up prescriptions and the pharmacies that fill them."

From foe to friend

Today, the landscape is fundamentally different as hospitals and PCPs now have the opposite problem: many are operating at close to full capacity, with little chance of meeting the coming surge in demand. Now, the very clinics once perceived as rivals may represent a key tool for managing patient volume while more conventional health providers focus on higher acuity and more complex treatments, and programs like population health management and telemedicine. Within the industry, a few are indeed realizing this, with several new approaches emerging for creating links between retail clinics and hospitals and PCPs.

These include:

Partnerships between hospitals and retail clinics. With hospitals' ERs facing capacity constraints, referring lower acuity cases to retail clinics could be one way to manage demand. Such clinics already offer convenient locations and operating hours, and sometimes also provide extended hours of availability, all of which can help release the pressure on hospitals. In addition, where clinics also provide follow-on care, it may be possible to reduce the risk of readmissions, further easing capacity difficulties and managing the financial implications of healthcare reform;

Partnerships between PCPs and retail clinics. As the shortage of PCPs relative to demand continues to grow, one option for physicians will be to refer lower acuity cases to retail clinics. In addition to providing additional supply, the clinics would also leave PCPs free to deal with more complex cases, with correspondingly higher reimbursement;

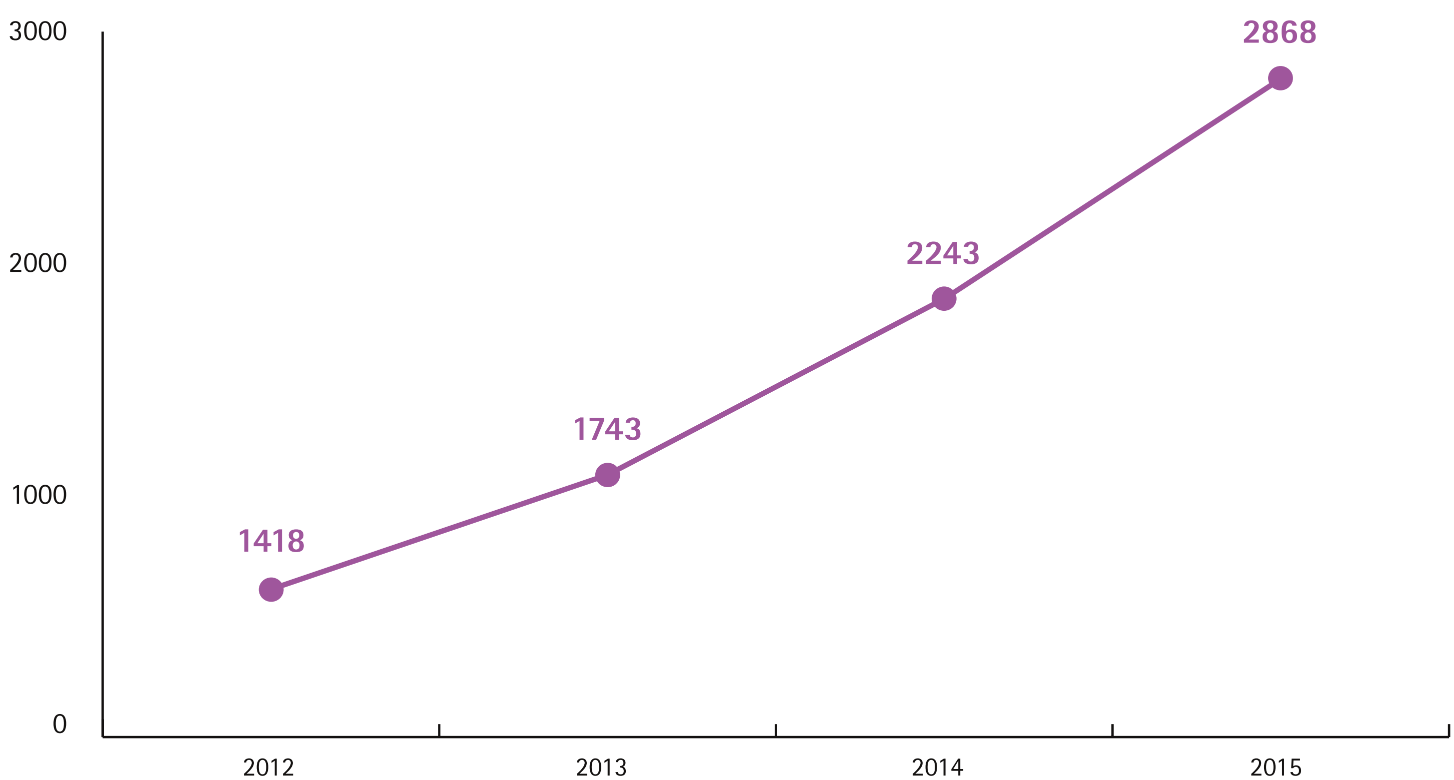
Better relations between payers and retail clinics. The third boost to retail clinics may come from new deals with insurers and healthcare plan providers, which are already attempting to become more customer focused. Payers are beginning to incorporate retail clinics into product design with offers, for example, of preferential payment options for members choosing to use retail clinics.

The end game: A path to reigniting growth

As these relationships develop, retail medical clinics will stand a real chance of developing a more secure niche in the marketplace. The start of this trend is now becoming apparent. Although the 5% growth in clinics during the course of 2012 was low compared to the boom in 2006 and 2007, a two-year growth rate of 14.7% over 2011 and 2012, coupled with accelerating forces of change, represent a reversal of fortune for the sector. A return to more stellar growth rates may now follow, not least as the perception of retail clinics as rivals switches to something more practical.

Between 2012-2015, Accenture Research projects that the number of health clinics will grow rapidly at an estimated 25% to 30% annually, doubling the number of clinics from roughly 1,400 to more than 2,800. This will significantly help to address capacity constraints at hospitals and PCPs by fulfilling 10.8 million visits per year. But not only clinic operators stand to gain, moving patient visits to relatively less expensive retail clinics will save approximately $800 million per year in overall healthcare expenditures according to Accenture analysis.

Figure 2. 20–25% growth from 2013 to 2015



Source: Accenture Analysis

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